

Message Text

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SUBJECT: ANOTHER BIG INCREASE IN RAIL AND COOK STRAIT FERRY FARES

REF: (A) 75 WELLINGTON 3855, (B) WELLINGTON 1618, (C) WELLINGTON 2241

1. ON DECEMBER 15 THE MINISTER OF RAILWAYS, MR. C.C. A. MCLACHLAN, ANNOUNCED LARGE INCREASES IN RAIL AND FERRY CHARGES EFFECTIVE JANUARY 2, 1977. SINGLE SUBURBAN FARES WILL INCREASE BY UP TO 42 PER CENT. LONG DISTANCE PASSENGER FARES WILL INCREASE BY UP TO 35 PER CENT AND COOK STRAIT PASSENGER FARES BY 20 PER CENT (FROM \$5 TO \$6). THE RATE FOR PASSENGER-ACCOMPANIED PRIVATE CARS ON FERRIES WILL INCREASE 25 PER CENT. ACCORDING TO THE MINISTER THERE WILL ALSO BE A REQUEST TO THE APPROPRIATE AUTHORITY FOR BUS FARE INCREASES OF UP TO 20 PER CENT.

2. THE LTEST INCREASES ARE AIMED AT SETTING A MORE REALISTIC RANGE OF FARES. THEY ARE ALSO REQUIRED TO REDUCE THE LARGE RAILWAYS DEPARTMENT DEFICIT. IN JUST THE FINANCIAL YEAR ENDED MARCH 1976, THE DEFICIT WAS \$66.5 MILLION.

3. IT IS CALCULATED THE NEW INCREASES WILL PRODUCE AN ADDITIONAL \$1 MILLION INCOME THROUGH THE REMAINDER OF THIS
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FINANCIAL YEAR ENDING MARCH 1977 AND \$4.8 MILLION
IN A FULL FINANCIAL YEAR.

4. FROM NOVEMBER 8, 1971 UNTIL FEBRUARY 1976 RATES FOR RAIL SERVICES WERE FROZEN. SINCE THEN THERE HAVE BEEN TWO INCREASES. EFFECTIVE FEBRUARY 1, PASSENGER FARES

WERE INCREASED NEARLY 64 PER CENT AND FREIGHT RATES BY 30 PER CENT. (REFTEL A). A SECOND INCREASE IN FREIGHT RATES OF 25 PER CENT TOOK PLACE IN JUNE 1976 (REFTEL B).

5. WITH THE FORTHCOMING INCREASES, LONG-DISTANCE PASSENGER FARES WILL HAVE INCREASED BY 120 PER CENT IN 11 MONTHS; SUBURBAN FARES, BY 96 PER CENT AND PRIVATE CAR FARES ON THE COOK STRAIT FERRIES BY 88 PER CENT.

6. IN ORDER TO REDUCE FURTHER THE RAILWAYS LOSSES AND TO MEET RISING FUEL COSTS AND WAGE INCREASES, ANOTHER FARE INCREASE COULD BE ANNOUNCED IN MED-1977. RAILWAY OFFICIALS HAVE EXPRESSED THE HOPE THAT WITH THESE INCREASES THE DEPARTMENT MIGHT START EARNING A PROFIT IN TWO OR THREE YEARS.

7. COMMENT: IT IS NOTABLE THAT, OTHER THAN PRIVATE PASSENGER CAR FERRY RATES, THE LATEST INCREASES DO NOT INCLUDE INCREASES IN FREIGHT RATES. UNDER THE DIFFERENT PROGRAMS AIMED AT FURTHERING REGIONAL DEVELOPMENT OF INDUSTRIES, LOW FREIGHT RATES WERE VIRTUALLY A SINE QUA NON. THE 1976-77 BUDGET DID PROVIDE FOR A CONTINUATION OF FREIGHT SUBSIDIES BUT ON A MORE SELECTIVE BASIS (WELLINGTON 2863). THERE CAN BE NO DOUBT HOWEVER, THAT GOVERNMENT ACTION WHICH GENERALLY INCREASES COST FOR MOVEMENT AMONG DIFFERENT REGIONS ADVERSELY AFFECTS REGIONAL DEVELOPMENT. IT WOULD APPEAR THAT AMONG THE DIFFERENT PRIORITIES SET DOWN BY THE PRESENT GOVERNMENT, REDUCING GOVERNMENT EXPENDITURES : AND DEFICIT) IS DEFINITELY HIGHER AT THIS TIME THAN MAINTAINING

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THE PACE OF REGIONAL DEVELOPMENT. THE JANUARY 2 RATE INCREASES WILL ALSO CAUSE FURTHER UPWARD PRESSURE ON THE CPI.
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